No. 03-1577

SUPREME COURT U.S.
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IN THE

Supreme Court of the United States

JOSETTE DUMONT DECARLO,
Executrix of the Estate of Daniel S. DeCarlo,

Petitioner,

v.

ARCHIE COMIC PUBLICATIONS, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

1. Does Rule 56.1 of the Local Rules of the United States District Courts for the Southern and Eastern Districts of New York impose an undue burden on litigants and result in the resolution of disputed issues of fact on motions for summary judgment in violation of the nonmovant's Seventh Amendment right to trial by jury, or does it establish a uniformly accepted mechanism for determining if there are genuine issues of material fact?

2. Did the district court below resolve any disputed issues of fact or make determinations on the credibility of witnesses as to whether:

(a) the contributions of Petitioner's decedent, Daniel S. DeCarlo ("DeCarlo"), to the creation of Respondent's *Sabrina* comic book property were prepared at Respondent's expense and, therefore, qualified as works-for-hire under the "instance and expense" test of the 1909 Copyright Act?

(b) DeCarlo and Respondent had agreed that he would own the copyrights in his contributions to *Sabrina* despite the fact that they were created at Respondent's "instance and expense"?

(c) Petitioner was precluded by an earlier litigation from asserting that DeCarlo owned Respondent's *Josie* property?

3. Did the district court abuse its discretion in holding that the evidence that Petitioner proffered regarding certain lost documents was so speculative and remote that a jury could not make a rational determination of their contents?

4. Did the district court correctly hold that the relevant provisions of the parties' 1988 and 1996 work-for-hire agreements were unambiguous and that, based on undisputed facts, they resulted in an assignment by DeCarlo to Respondent of any copyright interest he might have had in any of the *Cheryl Blossom* and *Sabrina* works?

5. Did the district court correctly hold that there was no dispute of fact as to whether the *Cheryl Blossom* characters were *Archie* characters and that DeCarlo, therefore, waived any claim to them when he executed the parties' 1988 work-for-hire agreement?

STATEMENT PURSUANT TO RULE 29.6[1]

Archie Comic Publications, Inc. has no parent corporation and no publicly held corporation owns 10% or more of its stock.

1. Because Petitioner did not appeal the dismissal of her counterclaims in 00cv5686, Respondent is the only named counterclaim-defendant with an interest in this case and the other named counterclaim-defendants are not included in this Statement.

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Archie Comic Publications, Inc. v. DeCarlo, 2004 U.S. App. LEXIS 4080 (2d Cir. Mar. 3, 2004) (affirming grant of summary judgment)

Archie Comic Publications, Inc. v. DeCarlo, 2002 U.S. Dist. LEXIS 1595 (S.D.N.Y. Feb. 1, 2002) (substituting Petitioner as defendant)

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STATUTORY PROVISIONS

STATUTES:

28 U.S.C. § 2071. Rule-making power generally

(a) The Supreme Court and all courts established by Act of Congress may from time to time prescribe rules for the conduct of their business. Such rules shall be consistent with Acts of Congress and rules of practice and procedure prescribed under section 2072 of this title.

FEDERAL RULES OF EVIDENCE:

Rule 1002. Requirement of Original

To prove the content of a writing, recording, or photograph, the original writing, recording, or photograph is required, except as otherwise provided in these rules or by Act of Congress.

Rule 1004. Admissibility of Other Evidence of Contents

The original is not required, and other evidence of the contents of a writing, recording, or photograph is admissible if—

(1) Originals lost or destroyed. All originals are lost or have been destroyed, unless the proponent lost or destroyed them in bad faith; or

(2) Original not obtainable. No original can be obtained by any available judicial process or procedure; or

(3) Original in possession of opponent. At a time when an original was under the control of the party against whom offered, that party was put on notice, by the pleadings or otherwise, that the contents would be a subject of proof at the hearing, and that party does not produce the original at the hearing; or

(4) Collateral matters. The writing, recording, or photograph is not closely related to a controlling issue.

FEDERAL RULES OF CIVIL PROCEDURE:

Rule 56. Summary Judgment

* * * *

(f) *When Affidavits are Unavailable.* Should it appear from the affidavits of a party opposing the motion that the party cannot for reasons stated present by affidavit facts essential to justify the party's opposition, the court may refuse the application for judgment or may order a continuance to permit affidavits to be obtained or depositions to be taken or discovery to be had or may make such other order as is just.

Rule 83. Rules by District Courts; Judge's Directives

(a) Local Rules.

(1) Each district court, acting by a majority of its district judges, may, after giving appropriate public notice and an opportunity for comment, make and amend rules governing its practice.

A local rule shall be consistent with—but not duplicative of—Acts of Congress and rules adopted under 28 U.S.C. §§ 2072 and 2075, and shall conform to any uniform numbering system prescribed by the Judicial Conference of the United States. A local rule takes effect on the date specified by the district court and remains in effect unless amended by the court or abrogated by the judicial council of the circuit. Copies of rules and amendments shall, upon their promulgation, be furnished to the judicial council and the Administrative Office of the United States Courts and be made available to the public.

(2) A local rule imposing a requirement of form shall not be enforced in a manner that causes a party to lose rights because of a nonwillful failure to comply with the requirement.

* * * *

Notes of Advisory Committee.

* * * *

Paragraph (2) is new. Its aim is to protect against loss of rights in the enforcement of local rules relating to matters of form. . . . Nor does it affect the court's power to enforce local rules that involve more than mere matters of form — for example, a local rule requiring parties to identify evidentiary matters relied upon to support or oppose motions for summary judgment.

STATEMENT OF THE CASE

This petition involves the second litigation between Respondent Archie Comic Publications, Inc. and the late Daniel S. DeCarlo, a freelance illustrator who began working for Respondent in the 1950s. [Record-192].[2]

On March 6, 2000, DeCarlo filed the first litigation ("*DeCarlo*") in New York Supreme Court seeking a declaration that he owned Respondent's *Josie* property and asserting claims for breach of contract, of fiduciary duty and of the implied covenant of good faith and fair dealing. [Record-333–50]. Respondent removed *DeCarlo* to federal court. [Record-333].

The district court granted Respondent summary judgment on DeCarlo's declaratory judgment count, finding that it asserted an artfully pled copyright ownership claim that was time-barred, and on the pendant claims on the ground that DeCarlo was equitably estopped from challenging Respondent's ownership of *Josie*. *DeCarlo v. Archie Comic Publications, Inc.*, 127 F. Supp. 2d 497, 508-11 (S.D.N.Y. 2001). [Record-178–181]. The Second Circuit Court of Appeals affirmed. [Record-431–35]. This Court denied certiorari. *DeCarlo v. Archie Comic Publications, Inc.*, 534 U.S. 1056 (2001).

The Present Actions

While *DeCarlo* was pending, DeCarlo asserted rights in Respondent's *Sabrina* property. [Record-369–70.] In response, Respondent filed 00cv5686 seeking, *inter alia*, a declaration that DeCarlo was barred from challenging its

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2. References to the "Record" are to the Joint Appendices submitted to the court of appeals. References to "A-__", "B-__" and "C-__" are to the Appendix to the Petition.

ownership of *Sabrina* by the statute of limitations, laches and equitable estoppel, and had assigned any rights in *Sabrina* to Respondent. [Record-364–65].

On December 20, 2000, after DeCarlo filed state law counterclaims against Respondent and the other counterclaim-defendants alleging that he owned *Sabrina* as well as Respondent's character Cheryl Blossom and other characters associated with her (collectively "*Cheryl Blossom*"), the district court granted Respondent leave to file a supplemental complaint adding claims for injunctive relief relating to *Cheryl Blossom*. [Record-372, 392–97, 419–20, 422].

On April 27, 2001, the district court dismissed DeCarlo's counterclaims. *Archie Comic Publications, Inc. v. DeCarlo*, 141 F. Supp. 2d 428, 431-32 (S.D.N.Y. 2001). [Record-126–27]. On May 3, 2001, DeCarlo filed amended counterclaims alleging that he owned *Josie*, *Sabrina* and *Cheryl Blossom* and asserting infringement claims. [Record-424–25, 427]. These were dismissed because DeCarlo had not obtained copyright registrations. *Archie Comic Publications, Inc. v. DeCarlo*, No. 00Civ5686, 2001 U.S. Dist. LEXIS 10373 at *2-3 (S.D.N.Y. July 23, 2001).

On August 23, 2001, the district court granted Respondent leave to supplement its complaint to request, *inter alia*, declarations that *Sabrina* was a work-for-hire and that the statute of limitations, equitable estoppel, and issue and claim preclusion barred DeCarlo from making claims as to *Josie*. [Record-26–57].

On November 29, 2001, Respondent moved for summary judgment. [Record-188]. In compliance with Rule 56.1 of the Local Rules of the United States District Courts for the Southern and Eastern Districts of New York ("Local Rule 56.1"), Respondent filed a statement of undisputed material

facts (the "Rule 56.1 Statement") which listed each of the subsidiary facts that were material to each of the multiple grounds asserted in its motion, most of which were ultimately not addressed by the district court, and provided supporting citations to the record. [Record-191-269].

DeCarlo died in December 2001 and Petitioner, his executrix, was substituted as defendant on February 1, 2002. *Archie Comic Publications, Inc. v. DeCarlo*, No. 00cv5686, 2002 U.S. Dist. LEXIS 1595 (S.D.N.Y. Feb. 1, 2002). Petitioner did not move to strike any portion of Respondent's Rule 56.1 Statement, nor did Petitioner file a paragraph-by-paragraph response to it as required under Local Rule 56.1. [Record-282–87].

On October 23, 2002, Respondent filed 02cv8466 seeking, *inter alia*, a declaration that DeCarlo's contributions to *Josie* were works-for-hire. [Record-67–78]. On November 19, 2002, Petitioner served an Amended Answer and Counterclaims in 02cv8466 asserting that Respondent had infringed DeCarlo's alleged copyrights in *Josie*, *Sabrina*, and *Cheryl Blossom*. [Record-97–107]. On January 3, 2003, the district court consolidated 02cv8466 and 00cv5686, and stayed all proceedings related to damages. [Record-464].

On March 31, 2003, the district court granted Respondent's motion for summary judgment, and on April 23, 2003, it issued an amended decision which held, *inter alia*, that:

(1) Issue and claim preclusion bar Petitioner from relitigating whether DeCarlo was equitably estopped from challenging Respondent's ownership of *Josie* in the context of an infringement claim.

(2) With a few exceptions that did not further delineate the property, DeCarlo's contributions to *Sabrina* were works-for-hire.

(3) By virtue of the waiver of rights and assignment clauses of DeCarlo's work-for-hire agreements with Respondent, Respondent acquired title to any rights DeCarlo may have had in *Sabrina* and *Cheryl Blossom*. *Archie Comic Publications, Inc. v. DeCarlo*, 258 F. Supp. 2d 315 (S.D.N.Y. 2003). At Petitioner's request, the court ordered that judgment also be entered against her in 02cv8466. [A-4 (n. 1)]. In an unpublished summary order, the United States Court of Appeals for the Second Circuit affirmed. [B-1–B-3].

The district court's decision castigated Petitioner for failing to comply with Local Rule 56.1 and held that the facts asserted in Respondent's Rule 56.1 Statement could be deemed admitted for purposes of the motion. [A-6–A-9]. However, the district court also stated that it had reviewed the record and found that "the results here would have been the same even if the Court disregarded entirely the defendant's failure to comply with Rule 56.1." [A-8–A-9].

STATEMENT OF FACTS

For nearly forty years prior to *DeCarlo*, Respondent had conducted itself as the sole owner of *Josie* and *Sabrina*, using the properties in its comic books and licensing them for use on a wide variety of goods. [Record-204–24, 470–73, 523]. Prior to November 1999, DeCarlo had never asserted the alleged ownership rights that he claimed in *DeCarlo*. [Record-473, 527–34, 541–54, 556, 561, 639–41, 643–44].

It is undisputed that DeCarlo drew the first *Josie* works, although he claimed that he created them independently in the 1950s while Respondent claims that it commissioned them from him in 1961. [Record-235–37].

At his deposition, DeCarlo testified that, in 1962, Respondent's editor Richard Goldwater conceived *Sabrina*, commissioned a detailed script for the first *Sabrina* story from a freelance writer, and assigned the script to DeCarlo to illustrate, asking him to begin by preparing a model sheet showing proposed designs for the script's characters so that Goldwater could approve their likenesses before DeCarlo prepared the finished artwork for the story. [Record-562–65, 570–73, 576–93]. As was customary, DeCarlo was paid a flat fee based on the length of the story. [Record-574–75, 606].

DeCarlo also testified that all of his subsequent *Sabrina* works were commissioned by Respondent and that he was paid a flat fee for them. [Record-575, 603–04, 607, 613–16, 626].

The *Cheryl Blossom* characters were created in 1982 as additions to Respondent's *Archie* property, which was developed in the early 1940s and features Respondent's famous characters Archie, Betty, Veronica and their Riverdale high school classmates. [Record-485, 505–06]. Throughout the decades, Archie, Betty and Veronica have been involved in a love triangle. *Id.* In 1982, Respondent added two new characters to the *Archie* property, Cheryl Blossom and her brother Jason. [Record-485, 506]. Cheryl and Jason first appeared in an *Archie* story which was published in 1982 in Respondent's longstanding series *Betty and Veronica* and featured Betty, Veronica, Cheryl, and Jason. [Record-485, 506, 630–36.] The cover of this issue bears the legend "Introducing Cheryl, Riverdale's Newest Bombshell!" [Record-630–36.] Cheryl and Jason were thus introduced as additional *Archie* characters.

Over the next two years, the *Cheryl Blossom* characters were written into a number of *Archie* stories that were, published in *Archie* comics such as *Betty and Veronica*, *Archie*

and *Archie at Riverdale High*. [Record-507–08]. An occasional story involving Cheryl did not use any of the original *Archie* characters, but this was the exception. [*Id.*]. From 1984 until 1994, Respondent did not publish any new stories involving Cheryl or her private school classmates. [*Id.*]. However, in 1994, Cheryl was resurrected for Respondent's *Love Showdown* series in which Archie received a mysterious love letter propelling Betty and Veronica into a frenzied battle over him. [*Id.*]. In the end, Archie chose Cheryl. [*Id.*]. The popularity of this story led Respondent to publish comic books under the title *Cheryl Blossom*. [*Id.*]. However, these comic books featured the *Cheryl Blossom* characters as members of the *Archie* universe. [*Id.*].

To get paid, Respondent's freelancers submitted a voucher form for each job. [Record-594–95]. The earliest surviving voucher is from 1981, almost twenty years after *Josie* and *Sabrina* were created. [Record-292, 509–10, 525].

As early as the 1960s, Respondent's paychecks to its freelancers were stamped with an endorsement legend containing terms that the freelancers accepted when they endorsed their checks. [Record-525]. At his deposition in this case, DeCarlo produced, for the first time, a handwritten copy he had made of Respondent's 1970 endorsement. [Record-303–04, 597–99]. All other surviving copies of Respondent's endorsements date from the 1980s. [Record-526]. These differ materially from the 1970 endorsement. [Record-295, 324]. No evidence was produced or submitted by either party in *DeCarlo* regarding the endorsements or vouchers. [A-15–A-17; Record-108, 303–04, 597–99; Petition at 22].

On October 25, 1988 DeCarlo signed Respondent's Newsstand Comic Independent Contractor's Agreement

which contained waiver of rights, assignment, and work-for-hire clauses. [Record-79–85]. On December 12, 1996, he signed Respondent's Revised Newsstand Independent Contractor's Agreement which contained assignment and work-for-hire clauses. [Record-86–91].

REASONS FOR DENYING THE PETITION

LOCAL RULE 56.1 ADOPTS AN ACCEPTED JUDICIAL PROCEDURE THAT HAS BEEN UNIFORMLY APPROVED BY THE COURTS OF APPEALS THAT HAVE ADDRESSED IT

Petitioner asserts that Local Rule 56.1 encourages district courts to grant summary judgment in cases in which there are genuine issues of material fact. Contrary to this, all of the courts of appeals that have reviewed the application of analogous local procedures have approved them and, in many cases, have praised them for promoting the *correct* disposition of summary judgment motions. *See, e.g., Ammons v. Aramark Unif. Servs., Inc.*, 368 F.3d 809, 817-18 (7th Cir. 2004); *Northwest Bank & Trust Co. v. First Ill. Nat'l Bank*, 354 F.3d 721, 724 (8th Cir. 2003); *Rivera v. Riley*, 209 F.3d 24, 27-28 (1st Cir. 2000); *Gubitosi v. Kapica*, 154 F.3d 30, 31 n.1 (2d Cir. 1998); *Petrolite Corp. v. Baker Hughes, Inc.*, 96 F.3d 1423, 1425-26 (Fed. Cir. 1996); *Twist v. Meese*, 854 F.2d 1421, 1425 (D.C. Cir. 1988); *Nilsson, Robbins, Dalgarn, Berliner, Carson & Wurst v. Louisiana Hydrolec*, 854 F.2d 1538, 1545 (9th Cir. 1988); *Calmaquip Engineering West Hemisphere Corp. v. West Coast Carriers Ltd.*, 650 F.2d 633, 636 (5th Cir. 1981).

"District courts do not institute Local Rules to frustrate litigators, but to ensure the efficient and expedient execution of justice." *Somlyo v. Lu-Rob Enters., Inc.*, 932 F.2d 1043, 1048 (2d Cir. 1991). The "purpose of Local Rule 56.1 is to streamline the consideration of summary judgment motions

by freeing district courts from the need to hunt through voluminous records without guidance from the parties." *Holtz v. Rockefelier & Co.*, 258 F.3d 62, 74 (2d Cir. 2001). As the Eighth Circuit Court of Appeals explained, in approving a local rule that, like Local Rule 56.1, requires the party opposing summary judgment to expressly admit, deny or qualify each of the factual assertions in the movant's statement of material facts, such rules

> seek to aid the district court in passing upon a motion for summary judgment, reflecting the aphorism that it is the parties who know the case better than the judge. . . . Local Rule 56.1 exists to prevent a district court from engaging in the proverbial search for a needle in a haystack.

Northwest Bank & Trust Co., 354 F.3d at 725.

It is true that

> summary judgment is not a paper trial, [and] the district court's role in deciding the motion is not to sift through the evidence, pondering the nuances and inconsistencies, and decide whom to believe. The court has one task and one task only: to decide, based on the evidence in the record, whether there is any material dispute of fact that requires a trial. (Citation omitted.) *The parties, in turn, bear a concomitant burden to identify the evidence that will facilitate this assessment.*

Waldridge v. American Hoechst Corp., 24 F.3d 918, 920 (7th Cir. 1994) (emphasis added). Local Rule 56.1 provides a mechanism for this process.

Respondent has not found a single case in which a court of appeals has found that such a local rule induced improper fact-finding by a district court. Indeed, recognizing the value

of such rules, the First Circuit Court of Appeals recommended that the District of Massachusetts "consider whether some such rule is desirable" to minimize the risk of "district court judges being unfairly sandbagged by unadvertised factual issues." *Stepanischen v. Merchants Despatch Trans. Corp.*, 722 F.2d 922, 931, 932 (1st Cir. 1983).

There is thus no conflict in the circuits as to the advisability of local procedures such as Local Rule 56.1. Furthermore, the authority of the district courts to enact such procedures, pursuant to Rule 83 of the Federal Rules of Civil Procedure and 28 U.S.C. § 2071, is clear. *Frazier v. Heebe*, 482 U.S. 641, 646 (1987); Fed. R. Civ. P. 83 advisory committee note (1995 Amendments).

Petitioner asserts that Local Rule 56.1 is unduly burdensome because it requires the nonmovant to respond to assertions of fact that are not material. However, the rules of procedure provide a ready solution for cases in which the movant's statement includes immaterial facts: the nonmovant can file a motion to strike. In the alternative, it can simply abstain from responding to the assertions of immaterial fact. While the unresponded-to factual assertions may be deemed admitted for the limited purposes of the summary judgment motion, if they are indeed immaterial, this will have no effect on the disposition of the motion.[3]

Petitioner did not move to strike any of the factual assertions in Respondent's Rule 56.1 Statement. Furthermore, it did not directly controvert *any* of the specific factual

3. Respondent is not aware of any application of Local Rule 56.1 to deem uncontroverted facts admitted for purposes other than the summary judgment proceeding. In this regard, the local rule is entirely distinct from Rule 36 of the Federal Rules of Civil Procedure under which the failure to respond to a request for admissions can result in a fact being deemed admitted for all purposes.

assertions contained in the statement, not even those that were material to the summary judgment grounds that the district court ultimately ruled on – *i.e.*, the predicate facts *underlying Respondent's assertion* of issue and claim preclusion as to *Josie*, work-for-hire as to *Sabrina*, and assignment and waiver as to *Sabrina* and *Cheryl Blossom*.

Instead, as to those factual assertions that it did not expressly admit, Petitioner listed 109 paragraph numbers which she disputed "on the grounds that they are variously inaccurate, misleading, irrelevant, hearsay, argumentative and/or incomplete" and 79 paragraphs which she disputed, without moving for leave to conduct additional discovery pursuant to Rule 56(f) of the Federal Rules of Civil Procedure, "because they relate to transactions and discussions conducted out of [DeCarlo's] presence, without any participation, knowledge or consent on his part." [Record-286-87]. Petitioner's separate statement of disputed facts broadly restated some of the issues raised by Respondent's motion, rather than setting forth specific facts that Petitioner claimed were in dispute. [Record-282-85]. These submissions utterly failed to serve the important goals of Local Rule 56.1.

Rules like Local Rule 56.1 advance the interests of litigants and the courts by facilitating the identification of cases in which material facts relevant to the parties' claims and defenses are in dispute, as well as the "rights of persons opposing such claims and defenses to demonstrate in the manner provided by [Rule 56 of the Federal Rules of Civil Procedure], prior to trial, that the claims and defense have no factual basis." *Celotex Corp. v. Catrett*, 477 U.S. 317, 327 (1986). There is nothing in Local Rule 56.1 or its application in this case that departs from the accepted and usual course of judicial proceedings or warrants an exercise of this Court's supervisory power.

APPLICATION OF LOCAL RULE 56.1 WAS NOT DISPOSITIVE OF RESPONDENT'S MOTION

Local Rule 56.1 authorizes the district court to deem admitted any facts set forth in a summary judgment movant's Rule 56.1 statement that are not specifically controverted by the opposing party. This is entirely consistent with Rule 56(e) of the Federal Rules of Civil Procedure which provides that "the adverse party's response, by affidavits or as otherwise provided in this rule, must set forth specific facts showing that there is a genuine issue for trial" and that if "an adverse party does not so respond, summary judgment, if appropriate, shall be entered against the adverse party." Fed. R. Civ. P. 56(e); *see Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 256 (1986). In the decisions cited above, the courts of appeals have approved analogous provisions under which the failure to controvert the movant's statement of material facts results in those facts being deemed admitted. Respondent has found no circuit decision disapproving of such a procedure.

Such procedures do not deprive the nonmovant of the *right* of trial by jury guaranteed by the Seventh Amendment to the United States Constitution. *See Fidelity & Deposit Co. v. United States*, 187 U.S. 315, 320 (1902). They merely "prescribe[] the means of making an issue. The issue made as prescribed, the right of trial by jury accrues." *Id.* Thus, application of Local Rule 56.1 to deem facts admitted raises no constitutional or other important federal issue requiring resolution by this Court.

Furthermore, the application of Local Rule 56.1 below was not dispositive of Respondent's motion and, therefore, does not warrant review. While the district court held that the facts in Respondent's Rule 56.1 Statement were deemed admitted, it also reviewed the record and determined that

"the results here would have been the same even if the Court disregarded entirely the defendant's failure to comply with Rule 56.1." [A- 8–A-9].

THE DISTRICT COURT'S SUMMARY JUDGMENT RULING DID NOT DEPART FROM THE ACCEPTED AND USUAL COURSE OF JUDICIAL PROCEEDINGS; NO DISPUTED ISSUES OF FACT WERE RESOLVED

Petitioner's assertion that the district court resolved issues of fact misrepresents what occurred below.

Sabrina: Work-For-Hire

The petition does not seek certiorari as to the standard used in the Second Circuit and applied in this case to determine whether DeCarlo's pre-1978 works were works-for-hire under the 1909 Copyright Act. Under this test, an "independent contractor is an 'employee' and a hiring party an 'employer'. . . if the work is made at the hiring party's 'instance and expense.'" *Playboy Enters. v. Dumas*, 53 F.3d 549, 554 (2d Cir. 1995) (quoting *Brattleboro Publ'g Co. v. Winmill Publ'g Corp.*, 369 F.2d 565, 567 (2d Cir. 1966)). The "'expense' requirement [is] met where a hiring party simply pays an independent contractor a sum certain for his or her work." *Playboy* at 555. If the "instance and expense" test is satisfied, the independent contractor's work is considered a work-for-hire unless he "demonstrate[s] by a preponderance of the evidence that . . . a contrary agreement was reached." *Id.* at 554-55. In applying this test, the "ultimate determination, on settled facts, of whether a work qualifies as a work-for-hire is a question of law." *Langman Fabrics v. Graff Californiawear, Inc.*, 160 F.3d 106, 111 (2d Cir. 1998).

Petitioner asserts that the district court resolved a factual dispute as to whether DeCarlo was paid for the alleged *Sabrina* model sheet. Petition at 18, 22. This did not occur.

DeCarlo's deposition testimony as to the *Sabrina* model sheet was as follows:

- When Goldwater asked him to illustrate the first *Sabrina* script, he told DeCarlo to start by preparing a model sheet showing how he proposed to draw the script's characters. [Record-562–63].

- The purpose of the model sheet was to enable Respondent to select a hairstyle for Sabrina (whom DeCarlo drew using his "standard female face") and to review DeCarlo's proposed depictions of the characters before he prepared the final artwork for the story. [Record-563, 565–70].

- When he received the story assignment, DeCarlo understood that the model sheet was the "first step" in his execution of it and that he would be paid a flat fee for the entire project based on the number of pages in the story. [Record-563, 573–75, 627]. DeCarlo clearly understood that the model sheet was part of the larger assignment for which he was paid a flat fee. [Record-194–95].

In addition to this testimony, Respondent relied on uncontroverted evidence that it expected its freelancers to write and illustrate stories about new characters as part of their job and that neither it nor its industry competitors paid extra for stories merely because new characters were involved. [Record-492].

Based on this undisputed evidence, the district court concluded that the "fact that [DeCarlo] was paid for each assignment satisfies the expense prong of the work for hire test" – *i.e.*, that the payment given to DeCarlo for illustrating the first *Sabrina* story sufficiently compensated him for any model sheet he might have prepared in the course of completing the assignment to satisfy the test. [A-27 (n. 85)]. Under the Second Circuit's standard, not challenged here, this holding resolved a question of law because it involved the "ultimate determination, on settled facts, of whether a work qualifies as a work-for-hire." *Langman Fabrics*, 160 F.3d at 111.

However, even if viewed as a question of fact, there was no dispute to resolve. In light of DeCarlo's characterization of the model sheet as the "first step" toward completing the story assignment and his acknowledgment that it was part of the assignment for which he was paid a flat fee, no reasonable jury could conclude that the model sheet was a separate project that had to be separately paid for to satisfy the "expense" prong of the work-for-hire test.

Petitioner argued below that, even if DeCarlo's contributions to the creation of *Sabrina* were created at Respondent's "instance and expense," they were not works-for-hire because Respondents and its freelancers had contracted around the work-for-hire doctrine; *i.e.*, that they had reached a "contrary agreement." *Playboy* at 554-55. The sole evidence that Petitioner submitted in support of this position related to the payment vouchers and check endorsement legends that Respondent required its freelancers to sign when they submitted and were paid for their work. Petitioner attempted to prove that Respondent used the term "author" on its endorsements in 1962, when *Sabrina* was created, arguing that this constituted an acknowledgment by Respondent that its freelancers, and DeCarlo in particular, owned the copyrights in their works. The Petition asserts that

the district court "made a sweeping factual finding . . . that identification of DeCarlo as 'author' on check endorsements did not apply to *Sabrina*." Petition at 22.

However, the district court did not make a factual finding. It ruled on the probative value of the evidence Petitioner offered to prove the contents of the check endorsements that were used in 1962, concluding that "any determination by a trier of fact as to what the text was during the relevant period . . . would be speculation." [A-31]. As noted by the district court, no copies of the endorsements and vouchers that were used in 1962 have survived. [A-27]. The oldest existing copy of an endorsement is the copy that DeCarlo made of a check he received in 1970. [A-295]. The oldest voucher form dates from 1981. [Record-292, 509–10, 525]. DeCarlo himself could not recall the text of the documents Respondent used in 1962, whether the check he received for illustrating the first *Sabrina* story was even stamped with an endorsement legend or whether Respondent's vouchers from that era referred to ownership of the freelancer's work. [Record-304, 595, 598]. The vague declarations that Petitioner submitted from two of Respondent's freelancers did not specify whether the endorsements and voucher forms that Respondent used in 1962 used the term "author". [Record-318, 321-22]. Applying the best evidence rule, Fed. R. Evid. 1002 and 1004, the district court concluded that Petitioner had "failed to sustain [her] burden of adducing admissible evidence which, if credited, would permit a rational finding, by clear and convincing evidence, as to the substance of [the] language" of the endorsements and vouchers that Respondent used in 1962.[4] [A-31].

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4. The court further held that it "would reach precisely the same result under a preponderance of the evidence standard as this Circuit does 'not permit an issue to go to trial on the basis of mere speculation in favor of the party that bears the burden of proof.'" [A-31–A-32 (*quoting Gant v. Wallingford Bd. of Educ.*, 195 F.3d 134, 144 (2d Cir. 1999))].

"An evidential hypothesis is used in drawing an inference, through deductive reasoning, from evidence introduced in the trial to a consequential fact." 2-401 Weinstein's Federal Evidence § 401.04[4][c] (2004). However, it is a basic principle of evidence that "when speculation unsupported by evidence is necessary to conclude the hypothesis, the evidence is not relevant and will be inadmissible." *Id.* Such evidentiary determinations are reviewed under the abuse of discretion standard. *GE v. Joiner*, 522 U.S. 136, 143 (1997).

The district court's holding that the evidence that Petitioner proffered was too remote and uncertain to permit a jury to determine without speculation the text of the endorsements and vouchers that Respondent used in 1962, and the affirmance of this ruling by the court of appeals, do not raise an important question of law or result in a procedural irregularity warranting review by this Court.

Furthermore, this ruling was not dispositive. As an alternate basis for its grant of summary judgment to Respondent as to *Sabrina*, the district court held that

> even if one were to assume that the endorsements and voucher agreement forms used from 1960 through the end of 1977 were the same as the endorsement DeCarlo copied down in 1970, the assumption would not permit an inference (under either a clear and convincing or a preponderance standard) that ACP and DeCarlo agreed that DeCarlo would retain copyright in his contributions to the *Sabrina* property.

[A-32]. Because the language of the endorsement was equally consistent with a quitclaim "transfer of DeCarlo's interest, *if any*, in the works" as with "a transfer of a limited right," the district court held that it could not be the basis for a

finding by a reasonable trier of fact that Petitioner had met her burden of persuasion as to whether the parties had contracted around the work-for-hire presumption. [A-34 (emphasis in original)]. Petitioner does not specifically address this aspect of the district court's decision, although she quotes a portion of it in the Petition, and does not seek certiorari as to the placement of the burden of persuasion on her as to this issue. Petition at 25-26. As such, this Court's review of the district court's refusal to allow a jury to speculate as to the text of the 1962 endorsement and voucher forms would have no effect on the outcome of the case.

Josie

Petitioner argued to the court of appeals that issue and claim preclusion should not be applied as to *Josie* because, *inter alia*, a jury could conclude from the evidence as to the content of Respondent's check 1962 endorsements and payment vouchers, which had not been offered in *DeCarlo*, that Respondent was not ignorant of DeCarlo's ownership claim, in which event equitable estoppel should not apply. Brief and Special Appendix for Defendant-Counter-Claimant-Appellant at 24. The Petition asserts that, in addition to holding this evidence insufficient, the district court erroneously faulted DeCarlo for failing to offer this evidence in the earlier case, arguing that the district court was "thereby making wholly improper witness credibility determinations." Petition at 18. However, the Petition misstates the record and mischaracterizes the district court's ruling.

A party cannot "avoid issue preclusion simply by offering evidence in the second proceeding that could have been admitted, but was not, in the first, but rather bears the consequences of inadequate litigation by waiving the right to do so in a subsequent case." 18 Moore's Federal Practice

– Civil § 132[2][d] (2003); *accord, Yamaha Corp. of Am. v. United States*, 961 F.2d 245, 254-55 (D.C. Cir. 1992); *see also United States v. Moser*, 266 U.S. 236, 242 (1924) (quoted in *Montana v. United States*, 440 U.S. 147, 162 (1979)). Preclusion can be avoided only if "without fault of his own" a party was deprived of "'crucial' evidence or witnesses in the prior action." *United States v. United States Currency in Amount of $228,536.00,* 895 F.2d 908, 920 (2d Cir. 1990), *quoting Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 333 (1971).

Applying these established principles, which are not challenged in the petition, the district court held that issue and claim preclusion apply because DeCarlo possessed his copy of the 1970 check legend during the *DeCarlo* litigation. [A-108]. DeCarlo did not disclose the existence of the copy until his deposition in this, the second lawsuit. [Record-302]. He was thus solely responsible for the fact that it was not before the court in *DeCarlo*. He was also responsible for his failure to obtain testimony in *DeCarlo* from other freelancers regarding Respondent's practices, as Petitioner did in this case. [A-26, A-29–A-30]. DeCarlo was thus given a full and fair opportunity in *DeCarlo* to litigate the question of Respondent's ignorance of his ownership claim. Rather than passing on witness credibility, as the Petition asserts, the district court held that DeCarlo's failure to take full advantage of that opportunity does not relieve his estate from the preclusive effect of the *DeCarlo* litigation. [A-25–A-26].

Moreover, the check endorsements and vouchers are not "crucial" or even relevant to the issue of equitable estoppel. First, no endorsements or vouchers from the years prior to 1970 have survived. As set forth above, the district court made an evidentiary determination that there was no non-speculative basis for a jury determination as to the text of the documents used prior to 1970. Second, even if it were

permissible to allow the trier of fact to speculate that the endorsements and vouchers that Respondent used in the late 1950s and early 1960s were identical to DeCarlo's 1970 copy, this would not support an inference that Respondent was aware that DeCarlo claimed to own the copyrights in his commissioned artwork.

The 1970 endorsement, as copied by DeCarlo, states that Respondent's "check is accepted as full payment for all the undersigned's right, title and interest in and to the strip, copy, art, continuity, characters, story or manuscript entitled or used in" the story identified on the check. [Record-295]. It "affirms that the maker of this check and/or its assigns are given the full rights to use said property for publication, movies, talkies, radio, television, broadcasting, advertising, or for any other use" and have the right to make editorial changes. *Id.* Finally, it includes a representation that "Endorser is the autor [sic] or accredited agent in this sale and guarentees [sic] that the work is free from libel or infringement." *Id.* Rather than reflecting knowledge that DeCarlo believed he owned the copyrights in the works he prepared for Respondent, the fact that Respondent required its freelancers to confirm its ownership of its characters reinforces the reasonableness of Respondent's belief that it owned all rights in its freelancers' works, including the right of first publication (common law copyright).

In 1970, an attorney told DeCarlo that the check legend was "garbage" and presented "no problem" as to his *Josie* ownership claim. [Record-628–29]. However, DeCarlo never communicated this to Respondent, nor did he tell it that he claimed to own *Josie*. [Record-473, 643–44]. Thus, Respondent remained ignorant that, despite the work-for-hire doctrine and its use of the check endorsements and vouchers, DeCarlo claimed to own the property.

The district court's summary judgment ruling in favor of Respondent as to the *Josie* property did not involve the resolution of any issues of fact or determinations of credibility. Rather, it involved the straight-forward application of established principles of issue and claim preclusion. Nothing in this ruling warrants review by this Court.

Cheryl Blossom and Sabrina: Waiver and Assignment

The Petition baldly asserts that the parties' work-for-hire agreements were ambiguous, arguing that the district court usurped the jury's role in holding that DeCarlo had assigned to Respondent all of his *Cheryl Blossom* works, including any model sheet he may have prepared, as well as any *Sabrina* works that were not works-for-hire. However, the relevant provisions of the agreements are unambiguous and there are no disputed issues of fact for a jury to resolve in applying the agreements to these properties.

Paragraph 2(b) of DeCarlo's 1988 independent contractor agreement is the primary ground on which the district court ruled in favor of Respondent as to *Cheryl Blossom*. [A-38]. It provides that "Contractor hereby expressly waives all claim of right which it may have to any ownership interest in . . . the ARCHIE property." [Record-81]. There is no ambiguity in this provision.

There was no disputed issue of fact as to whether the *Cheryl Blossom* characters are part of the "ARCHIE property." The original stories featuring these characters and nearly all of the subsequent stories involved the original *Archie* characters. [Record-507–081. Indeed, DeCarlo's deposition testimony confirmed that the *Cheryl Blossom* characters were created for the *Archie* property. [Record-617–18, 623, 625]. He testified that Respondent's editor, Richard

Goldwater, told him in 1982 that Respondent wanted to do a story about a character richer and snobbier than the *Archie* character Veronica; Goldwater asked him to draw the character and her family; he drew a model sheet showing Cheryl, Jason, their parents, and one of Cheryl's friends; a story conference was held with writer Frank Doyle (deceased), Respondent's then-president John Goldwater (deceased), Richard Goldwater, and DeCarlo, at which DeCarlo described Jason's relationship with Betty and Veronica, two of the core *Archie* characters; and Doyle then wrote stories that were assigned to him to illustrate. [Record-467, 617–24].

The district court's determination that the *Cheryl Blossom* characters are part of the "ARCHIE property" and that the waiver clause of Paragraph 2(b) of the 1988 agreement applies to them thus did not require resolution of any disputed issue of fact.

Likewise, there was no disputed issue of fact involved in the determination that the parties' 1996 work-for-hire agreement assigned DeCarlo's interest in the *Cheryl Blossom* model sheet, if any, to Respondent. Paragraph 1 of the 1996 agreement unambiguously defines "Properties" as existing and future-created "characters, artwork, stories, plots, trademarks, logos and other creative expressions" that "are commissioned by Archie and/or used in any of Archie's publications or licensed products." [Record-86]. By DeCarlo's own testimony, the model sheet was "artwork . . . commissioned by Archie" and the *Cheryl Blossom* characters are "characters . . . used in . . . Archie's publications." [Record-618–19].

The 1996 agreement unambiguously defines "Works" as the "past, pending and future uses of [the] Properties. . . ." [Record-86]. That the model sheet and DeCarlo's other

Cheryl Blossom story illustrations are "Works" is beyond dispute.

Paragraph 19 of the 1996 agreement unambiguously assigned to Respondent all of DeCarlo's "past, pending or future contributions . . . to the Works or Properties [that] do not qualify as a Work for Hire . . . including all copyrights." [Record-89]. This assignment unambiguously encompasses the copyrights in the *Cheryl Blossom* characters as well as the model sheet and all other artwork in which the characters appeared. To the extent that DeCarlo had any rights in the *Cheryl Blossom* properties or works, he assigned them to Respondent.

The same holds true for *Sabrina*. DeCarlo testified that his model sheet was commissioned, and all of the *Sabrina* characters have been used in Respondent's publications and/or licensed products. [Record-226–34, 562–63]. Hence, they fall within the unambiguous definitions of "Properties" and "Works". Thus, the district court's holding that DeCarlo assigned to Respondent any rights he may have had in *Sabrina* and *Cheryl Blossom* raises no issue for review by this Court.

CONCLUSION

The Petition fails to demonstrate any valid ground for review of the decision below and should be denied.

Respectfully submitted,

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